

## IT Procurement: Time for Change

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A national research and advisory institute on information technology policies and best practices in state and local government





#### **Procurement Rules**

Intended to protect the public's interest: missing the mark in IT

- IT dynamic evolution (XaaS, Cloud, Mobile, Security)
- Procurement Practices reactive, borrowed, mismatched with problems to be solved in today's digital environment
- Failed IT Procurements and Contracts create distrust and lack of credibility with the public
- Agency Concerns takes too long and don't get the results
- Suppliers Perception unresponsive, overly rigid, drawn out and high risk



Requirements - high risk on a good day when everyone is engaged

- Understand the business objectives high end-user involvement
- Avoid large high risk projects
- Agile development, incremental contracting, pilot & test drive solutions lower risk and get better results



#### Rigid Ineffective Processes – not getting results

- Use more discussions and negotiations in RFP best fit saves time and money over cheapest price
- Use acquisition models designed to deliver the project results (Best Value, Incentives, Requests for Demonstration, Multiple Rounds, Modular Contracting, Accelerators)
- Simplify processes apply quality management. Include providers and stakeholders
- Improve vendor performance through evaluation, prequalification and award criteria



Communication Barriers—disrupts partnerships between providers and public jurisdictions, increases potential for protests

- Build in effective and appropriate communication at every phase of procurement and contract execution – end to end review
- Regular vendor/provider forums
- Debrief vendors after award
- Better communication and effective protest rules reduce protests



Terms and Conditions – often disconnected from reasonable commercial contract practices

Review and revise to commercially reasonable - CA and OR

Must fit the state's need, risk profile and the provider's business model, one size does not fit all

New IT driven technologies are creating new business models - need new control models



Functional separation (Silos) – projects fail when the project is tossed over the wall to be procured

- Integrated Project Team
- Contract Management Office CA Office of System Integration Model
- Match control with authority and resources

Risk Adverse Culture – does not lead to improvement & stifles innovation

• Measure results, evaluate practice, lean the process, encourage innovation, sharing, & collaboration



#### 7 Steps to Improvement

- 1. Create flexibility use discussions &negotiations, performance based, best value, incentives, multiple rounds of negotiations, modular contracts, and Requests for Demonstration (RFD)
- 2. Evaluate, use and refine alternative contracting models ABA Special Procurement
- 3. Modernize IT T&Cs to commercially reasonable and realistic standards for your specific business needs in collaboration with industry trade groups and other states
- 4. Improve provider and state official communication at all levels of procurement and contracting. Create discussion forums with providers for new ideas
- 5. Incent better provider and vendor performance eliminate barriers to getting the A team, evaluate vendor performance
- 6. Participate in cooperative procurements with other states and jurisdictions
- 7. Foster an environment to innovate, incubate and collaborate

# CLOUD AND AS-A-SERVICE PROCUREMENTS

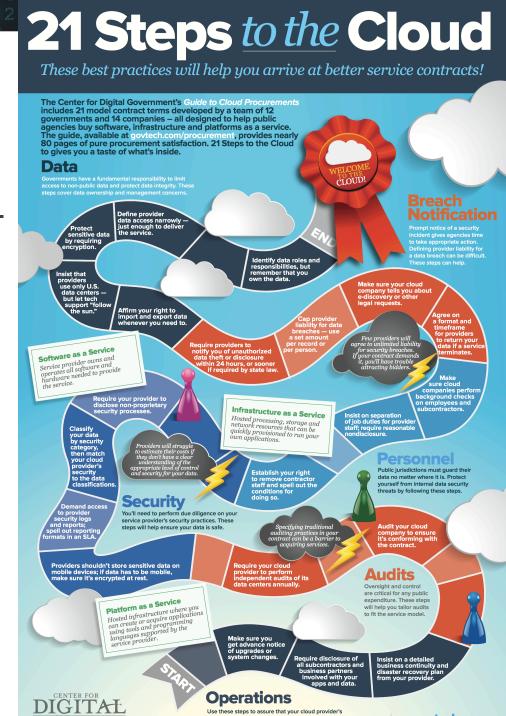
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Model Terms and Conditions - SaaS, PaaS & IaaS

**Guiding Principles** 

**Procurement Approach** 

**Lessons Shared** 





#### **Reference Material**

- <u>Transforming Procurement For the 21<sup>st</sup> Century: Part 1: Reforming IT Terms and Conditions to Improve Procurement Environments and Outcomes</u>, TechAmerica, March, 2009
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- Enterprise Risk Management for Cloud Computing, Committee of Sponsoring Organizations of the Treadway Commission, June 2012
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- Leaving Performance Bonds at the Door for Improved IT Procurement, NASCIO, August 2012
- <u>Recommendations to Improve Large Information Technology Procurements: A Road Map for Success in California</u>, CA Task Force on Reengineering IT Procurement for Success, August 2013
- Seeing Excellence: Learning from Great Procurement Teams, Richard Pennington, 2013
- Strategies For Procurement Innovation and Reform, IJIS Institute, December 2013
- Best Practice Guide For Cloud and As-A-Service Procurements, Center for Digital Government, September 10, 2014



## Questions & Answers